AUDITOR GENERAL
Alberta

Report of the Auditor General on Alberta Social Housing Corporation—Land Sales Systems

October 2005

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Ms. Janis Tarchuk, MLA
Chair
Standing Committee on Legislative Offices

I am honoured to send you my report titled "Report of the Auditor General on Alberta Social Housing Corporation—Land Sales Systems" dated October 2005.

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Auditor General

Edmonton, Alberta
October 17, 2005

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Summary

Corporation is responsible for affordable housing

Alberta Social Housing Corporation (the Corporation) is accountable to the Minister of Seniors and Community Supports. Its primary purpose is to facilitate the provision of affordable housing to low-income families and individuals, seniors, and those with special needs. The Corporation and the Ministries of Sustainable Resource Development and Infrastructure and Transportation are the only owners of undeveloped land in the Regional Municipality of Wood Buffalo (the Municipality) (see Section 2 for background on the Corporation).

Corporation owns land in the city of Fort McMurray

As one of the land owners, the Corporation has a key role to play in the Fort McMurray housing market. The city of Fort McMurray's population has increased by approximately 70% since 1999. Housing prices in Fort McMurray have tripled from 1995 to 2004. Due to the construction of new oil sands projects, the population is projected to keep increasing (see Section 3 for background on the city of Fort McMurray).

9 land sales and 5 grants since 1999

We examined the Corporation's systems for selling land in Fort McMurray and its land sales and grants from 1999 to the present. During these years, the Corporation sold nine parcels of land, and granted five parcels to the Municipality and the Municipality's not-for-profit development corporation. Our recommendations and findings are:

1. The Corporation, working with other ministries and the Municipality, needs to develop a long-term plan for selling land in Fort McMurray (see Recommendation #1—page 21).

Objectives, approach and timing of land sales varied

The Corporation does not have a long-term plan to guide the sale of land in Fort McMurray. The Corporation has sold land in the order requested by the Municipality. However, its objectives and approach to the sales have varied. The Corporation also had conflicting objectives for some sales. The timing of the land sales and grants has been sporadic. No significant parcels were sold in 2001, during the period September 2002 to July 2004, and from November 2004 to September 2005.

Future needs

According to population growth projections, the Municipality will need approximately 7,000 housing units on the market over the next five years. The Corporation currently holds only approximately 860 developable acres of land. Because the Corporation will not be able to meet future demand with this land, it will have to work with the other ministries to plan for future development. The timing of the release of new parcels of

land and development of lots may have a significant impact on housing prices. The cost of infrastructure is significant and also affects the division and development of lands in Fort McMurray. The Corporation's future plans need to consider these issues.

2. The Corporation should improve its systems for selling land to ensure that its objectives are met (see Recommendation #2—page 26).

Corporation could not demonstrate that it met its objectives for 4 of 9 land sales

The Corporation was able to demonstrate that it received appropriate value for the sales of five parcels of land and the five parcels granted to the Municipality and its not-for-profit development corporation. However, the Corporation could not demonstrate that it met its objectives and received appropriate value for four of its land sales. We found that the Corporation (see Section 4—Analysis of significant land sales—page 10):

- did not include adequate conditions in the sales agreements to ensure that its objectives would be met,
- relied on appraisal values without verifying the reasonableness of the assumptions in the appraisals, and
- offered financing terms that were not typical for land sales.

Public offer process used for 6 of 9 sales

The Corporation sold all parcels of land in accordance with its governing legislation; however, it used an open and transparent process for only six of its nine land sales.

No independent review and challenge of sales

From November 1999, there was no independent review and challenge of land sales. Also, there were no meetings of the Corporation's Board of Directors to provide oversight of the sale of the land. As a result, there was limited documentation on how the Corporation made key decisions on land sales, and no evidence of a formal challenge process.

We did not find evidence that the Minister or anyone involved in approving land sales at the Corporation was a director or shareholder of any company that purchased land from the Corporation.

Management at the Department of Seniors and Community Supports has accepted our recommendations. Their responses are included on pages 25 and 29.

MLA for Fort McMurray–Wood Buffalo's involvement

The public has questioned whether there was interference by the MLA for Fort McMurray–Wood Buffalo in one land sale. We found that the MLA was involved in initial discussions about the shortage of land in Fort McMurray,

but we did not find evidence that he was involved in any negotiations or made decisions on the land sale (see Section 7—Allegations of interference by the MLA for Fort McMurray–Wood Buffalo in land sales—page 30).

1. Our audit

In May 2005, questions were raised about the sale of land in 2004 by the Alberta Social Housing Corporation to a consortium of developers. There have been allegations that:

- Alberta taxpayers did not receive a fair amount from the sale of land, which is known as Parcel E, to a consortium of developers,
- there was a systems failure because proper procedures to protect the public interest were not in place, and
- there may have been interference by the MLA for Fort McMurray-Wood Buffalo in this land sale.

Corporation's systems

Because of the allegations, we decided to audit the transaction. Our audit concentrated on examining the systems that the Corporation has in place to sell land, and the sale of land in Fort McMurray, particularly the sale to the consortium of developers. To do this, we had to understand and evaluate the Corporation's systems, and examine the significant land sales made since 1999.

We interviewed staff of the Department of Seniors and Community Supports (the Department), including the current and previous Ministers and Deputy Ministers, and examined documents to understand the systems that the Corporation follows when it enters into agreements to sell land. We met with various individuals who are not part of the Department, including senior executive representatives from the consortium of developers, the Regional Municipality of Wood Buffalo, the not-for-profit development corporation established by the Municipality, the Corporation's external legal counsels, and other developers and builders in the area. We traveled to Fort McMurray to view and get an understanding of the Timberlea area and the unique challenges of the Fort McMurray housing market.

We received the full cooperation and assistance from current and previous staff of the Ministry of Seniors and Community Supports and all individuals we interviewed during this audit.

We appreciate the assistance and cooperation that we received from the Office of the Ethics Commissioner and the Office of the Chief Electoral Officer.

2. Alberta Social Housing Corporation

Primary purpose is affordable housing

The Corporation is accountable to the Minister of Seniors and Community Supports, and operates under the authority of the *Alberta Housing Act* (the Act). The Corporation's primary purpose is to facilitate the provision of affordable housing to low-income families and individuals, seniors, and those with special needs. The Corporation owns and administers a portfolio of land and housing assets and manages provincial debts and agreements associated with those assets. Also, it administers the sale of provincially-owned properties no longer needed for social housing programs.

To carry out its purpose, the Corporation may (subsection 3(1) of the Act):

- provide advisory, financial and other support and resources to persons,
- develop and support the development of housing accommodation,
- enter into agreements with the government of another jurisdiction or any person, and
- do any other thing or exercise any power that the Minister or the Corporation considers is necessary to be done or exercised.

Subsection 18(b) of the Act specifies that the Corporation may take any action or dispose of any assets necessary to discontinue its activities or operations that, in its opinion, no longer meet the purpose of the Act.

Board of Directors

The Corporation is governed by a Board of Directors. The Act specifies that the Board of Directors shall consist of the Minister as the Chair, the Deputy Minister as President, and other employees or officials as members. The Act does not specify the powers and duties of the Board but states that the Corporation may establish bylaws for the meetings and the general conduct of the Board.

Bylaws

The Corporation's bylaws state that the Board shall meet at least once a month, although the Chair may waive a board meeting in any month. The bylaws also state that the Minister may act in place of the Corporation by exercising any power or authority of the Corporation, or act on behalf of the Corporation by exercising any of the rights, powers, duties and functions of the Chair, President, employees of the Minister's department and any agents of the Corporation.

Ministries responsible for the Corporation

From 1999 to 2005, the Corporation has been the responsibility of three different ministries: Municipal Affairs, Community Development, and Seniors (renamed Seniors and Community Supports in November 2004). One minister had responsibility for the Corporation from November 1999 to November 2004.

Date	Ministry	Minister(s)	Deputy Minister
1999	Municipal Affairs	Iris Evans (to May 1999) Walter Paszkowski	Eric McGhan
November 1999 to March 2001	Community Development	Stan Woloshyn	Don Ford
March 2001 to November 2004	Seniors	Stan Woloshyn	Ken Wilson
November 2004 to present	Seniors and Community Supports	Yvonne Fritz	Ken Wilson (to June 2005)

Corporation's land purchased in 1970s

The Corporation owns land that was originally bought from farmers and local landowners in the mid-to-late 1970s. It obtained large parcels of land in Fort McMurray from the Ministry of Sustainable Resource Development (formerly the Ministry of Lands and Forests). The land was obtained in a strategy to curb inflationary land prices. In the late 1970s and early 1980s, the Alberta government owned all of the land in the Fort McMurray area and was the only developer. Then, in the mid-to-late 1980s the government halted development, but kept the land it owned. In the mid 1990s, the Corporation started to sell the land to private developers.

95% land sold in Fort McMurray

In the last five years, the Corporation has sold approximately 1,010 developable acres of land for $36.2 million. Approximately 95% of the Corporation's total land sales during that time have been in Fort McMurray.

3. Fort McMurray

70% population increase

Fort McMurray is in the centre of the Regional Municipality of Wood Buffalo; its population in 2005 is approximately 61,000, 83% of the region. Between 1999 and 2005, the population of Fort McMurray and the Municipality increased by approximately 70%. The population of Timberlea, an area in Fort McMurray, has increased by almost 3.5 times since 1999 to 14,406 in 2005, making it the fastest growing area in Fort McMurray (see map on page 9).[1]

Housing prices tripled

Housing prices in Fort McMurray tripled from 1995 to 2004, and increased almost 40% from August 2004 to August 2005. In August 2005, the average selling price for a single-family dwelling was a $458,000. Housing prices are steadily rising as demand increases and a shortfall of new housing persists. The apartment vacancy rate has been 0% from October 2004 to June 2005.[2]

Need for housing

The main employers in the Municipality are oil companies. In 2005, 62.5% of the workforce in the Municipality was employed by oil-related companies or by companies that contract in the oil sector.[3] The new oil sands projects announced are projected to result in approximately 17,000 new jobs in the area by 2011.[4] Using an estimate of 2.4 persons per household, this translates to a need for approximately 7,000 new housing units in that same time.

Difficult to develop land and build houses

Developing and building housing is difficult in Fort McMurray. There are only, on average, 89 frost-free days in a year that developers can work the land. There are over 40 builders in the Fort McMurray area. These builders have a hard time attracting skilled sub trades to the area. And without a guaranteed supply of developed lots, it is difficult to keep them, especially when the wages in the oil sands industry are higher. To meet the housing demand and ensure a steady workforce, developers and builders told us they need at least a two-year supply of land.

Sold 945 acres and granted 100 acres

From 1999 to the present, the Corporation sold over 945 developable acres in Fort McMurray for $34.5 million. The Corporation also granted (transferred for $1.00) approximately 100 acres of land. The Corporation granted land to the Municipality to build schools or other public sites. It also provided land for affordable housing projects to a not-for-profit

[1] 2005 Municipal Census, Regional Municipality of Wood Buffalo
[2] http://www.woodbuffalo.net/housing.htm
[3] 2005 Municipal Census, Regional Municipality of Wood Buffalo
[4] http://www.fortmcmurray.findalberta.com

corporation, established by the Municipality, that develops lots for housing in Fort McMurray and operates social housing facilities and seniors' lodges for the Ministry of Seniors and Community Supports.

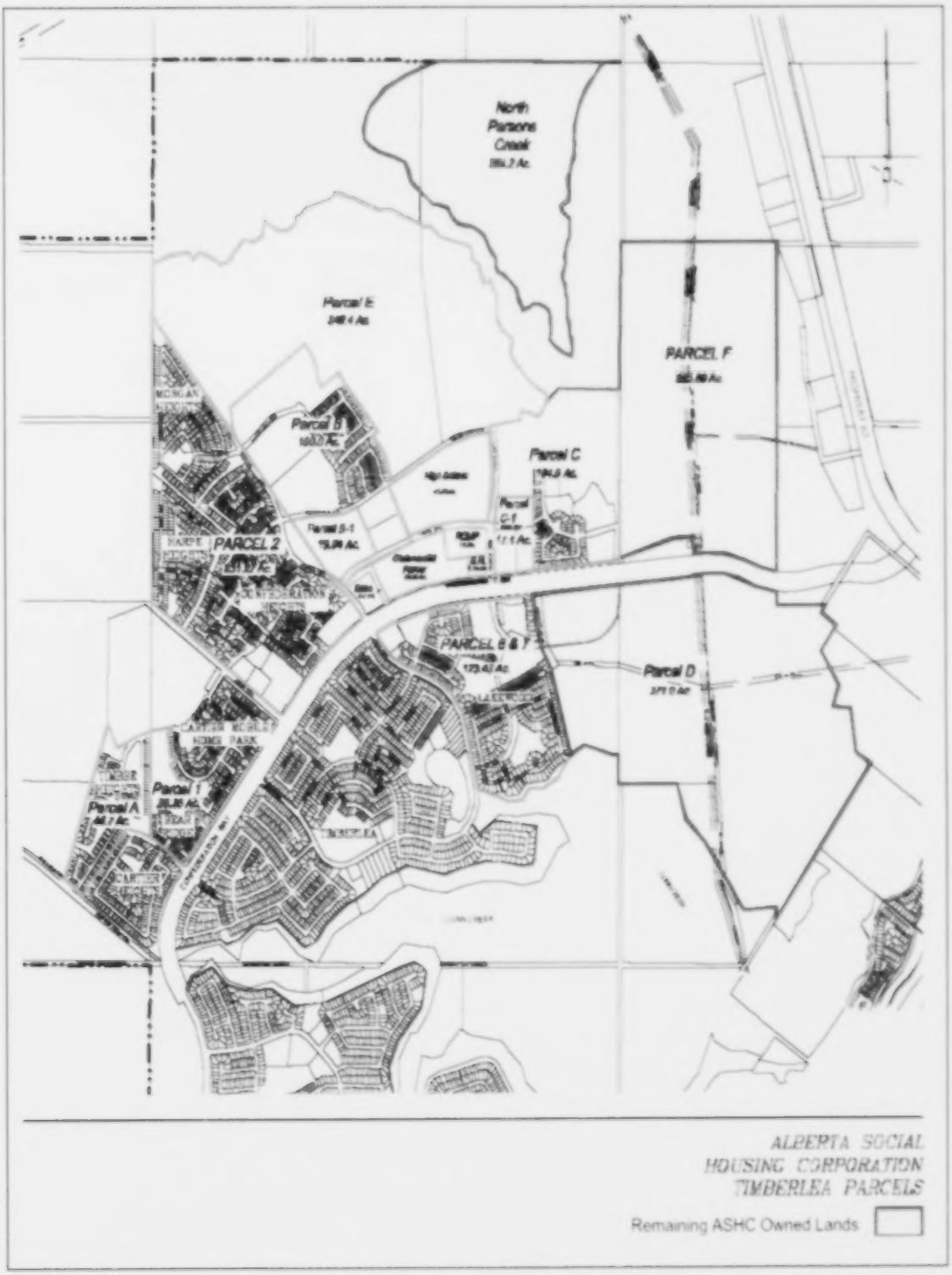
Land developers develop land into lots and sell to builders who build housing units on these lots. On average, there are approximately five lots per acre. The number of housing units that can be built on a lot depends on the mix of low, medium, and high density housing and must be approved by the Municipality. A housing unit is considered a family dwelling; it can be a home, a townhouse unit, or an apartment unit.

From the Corporation's sales and grants of lands in Fort McMurray since 1999, purchasers have developed 882 lots and 2,272 housing units, and expect to develop an additional 1,962 lots and 1,337 housing units.

As of August 2005, the Corporation owned approximately 860 developable acres in Fort McMurray. The Corporation expects that its three remaining parcels will create an additional 6,506 housing units once developed.

The Ministries of Sustainable Resource Development and Infrastructure and Transportation also own approximately 64,000, and 245 acres of land respectively in the Regional Municipality of Wood Buffalo. Of the 64,000 acres owned by the Ministry of Sustainable Resource Development, approximately 2,600 acres have been assessed as developable to date.

Map of Timberlea Area of Fort McMurray



4. Analysis of significant land sales

We examined all nine of the Corporation's land sales in Fort McMurray plus the five parcels that were granted to the Municipality and its not-for-profit development corporation since 1999. Appendix A includes a chronology of the significant events affecting the Corporation's land sales that have occurred from 1998 (see page 32) and Appendix B includes a summary of the Corporation's land sales and grants from 1999 to the present (see page 36).

6 significant sales and 2 grants

The following is our analysis of whether the Corporation could demonstrate that it achieved its objectives and received appropriate value for six significant land sales and two grants during the period. Our recommendation on the Corporation's systems for selling land is on page 26.

4.1 Parcel 1

Sale Agreement—on June 22, 1999, the Corporation's Board of Directors accepted the offer to purchase Parcel 1 (25.35 developable acres) from the highest bidder for $1.2 million. The appraised value of the land, effective October 1998, was $1.265 million. There were no financing terms or conditions in the offer to purchase. The purchase price was later adjusted downward by $211,800 for removing encroachments, constructing a fence, and levies for the storm and sanitary sewer, making the final sales price $988,200 or approximately $39,000 per acre.

Conclusion—the Corporation demonstrated that it met its objective of disposing of its surplus lands for the highest price and received appropriate value for the sale. The Corporation used an open and transparent process for the sale of Parcel 1. It accepted the highest bid on the parcel.

4.2 Parcel 2

Sale Agreement—on June 22, 1999, the Corporation's Board of Directors approved the only offer received on Parcel 2 (231.08 total acres, 158.08 developable acres). On February 15, 2000, the Corporation signed an agreement to sell Parcel 2 for $1.897 million, which is approximately $12,000 per developable acre. The Corporation had one appraisal done on Parcel 2, effective October 1998, using the direct comparison approach and a complete appraisal process, which resulted in an appraised value of $4.745 million, or approximately $30,000 per acre.

The purchaser had to pay the Corporation $50,000 on signing the offer, $329,400 on the closing date, and the rest, $1,517,600, in annual

instalments of $303,520 for five years with 8% interest throughout the term of the agreement. The Corporation agreed to transfer title to the purchaser as instalments of $12,000 per developable acre were paid.

We found the following in examining the sales agreement:

Sales price lower than appraised value

- The offer and final sales price was significantly lower than the appraised value of the land. In a June 22, 1999 meeting, the Corporation's Board of Directors discussed why the appraisal "appeared to be so correct on Parcel 1 and so far out on Parcel 2." The Corporation's lawyer suggested that the appraiser had used some incorrect assumptions, and that the comparison approach was used rather than the income approach. We reviewed the appraisal and found no evidence that incorrect assumptions had been used.

Second appraisal

The Corporation subsequently requested a second appraisal using a limited appraisal process, but it did not receive this appraisal until September 30, 1999, after the sale was approved. The second appraisal resulted in an appraised value for Parcel 2 of between $2,000 and $12,000 per acre; however, this appraisal assumed that Parcel 2 would be developed later than all the other parcels. In the second appraisal, it states that "the client has been notified that the reliability of the value conclusion is less than for a complete appraisal." The appraisal used three methods of valuation: the direct comparison approach, a cost of development analysis, and a discounted unit price analysis.

Corporation removed condition

- The actual number of developable acres exceeded the amount in the agreement. The original offer to purchase had a condition that if the developable lands were more or less than 158.08 developable acres, the purchase price would be increased or reduced by $1,200 for each one-tenth acre up to the date of the closing of the agreement for sale. This condition was removed at the Corporation's request. We asked management of the Corporation and legal counsel why the condition was removed and they were not able to give us reasons for this decision.

  After the Corporation accepted the offer and signed the agreement for sale, the purchaser completed further engineering studies and proposed a plan to the Municipality to develop the entire 231.08 acres, which would first require the purchaser to incur costs to de-water the area. The Municipality accepted the plan on June 27, 2000.

- The financing arrangement included in this agreement, although new to the Corporation, was approved by the Board of Directors and is typical of land development agreements. The interest rate provided on the financing exceeded the prime rate and did not appear to be preferential.

Conclusion—the Corporation's objective for this sale was to dispose of it for the highest price. The Corporation used an open and transparent process for the sale of Parcel 2. However, the Corporation could not demonstrate that it met its objective and received appropriate value for this sale. It did not adequately investigate why the appraised value was so much higher than the offer price, which resulted in the sales price being $2.848 million lower than the appraised value. Also, because it did not ensure that the terms of the agreement protected it from a change in developable acres, it was not able to negotiate payment from the purchaser for the additional 73 acres. Because the developer had to incur costs to make the land developable, we are unable to say with certainty what the sales proceeds would have been for these additional 73 acres.

4.3 Parcels 6 and 7

Sale Agreement—on October 17, 2000, the Corporation accepted the offer to purchase Parcels 6 and 7 (123.38 developable acres) from the highest bidder for $3.3 million. The appraised value for the land was $2.8 million. The sales price was payable by a $50,000 deposit, $50,000 upon removal of conditions, and the balance on the closing date. There were no financing terms in the offer to purchase and there were no significant conditions relating to the development of the land.

Conclusion—the Corporation demonstrated that it met its objective of disposing of its surplus lands for the highest price and received appropriate value for the sale. The Corporation used an open and transparent process for the sale of Parcels 6 and 7. It accepted the highest bid on the parcels.

4.4 Parcel B

Sale agreement—the Corporation received six offers on the 100 acre Parcel B, ranging from $1.16 million to $5.51 million. In August 2002, the Corporation accepted the offer for Parcel B of $5 million from the purchaser of Parcels 6 and 7. The sale price for Parcel B of $50,000 per acre was higher than the appraised value of $37,165 per acre. The purchaser was to pay the Corporation a $25,000 first deposit, a $25,000 second deposit, and the balance on closing. The Corporation specifically requested that a condition be added to the agreement that if the number of

acres surveyed varied from 100, the purchase price would be adjusted at a rate of $50,000 per acre.

We found the following in examining the sales agreement:

Uncertainties in housing market

- The Corporation granted a two-year extension in the closing date of the sale and did not charge interest on the outstanding $4.95 million during this time. In February 2003, the purchaser expressed concern around the uncertainties that the announcement of the Kyoto Accord created for the Fort McMurray housing market. They were concerned that the real estate market would be adversely affected at the beginning of the development process, when start-up costs were highest.

No interest charged during 2-year extension

As a result of these economic conditions, in June 2003 the Corporation agreed to extend the closing date, and transfer of title, on Parcel B to two years after the date of registering the plan of subdivision, thereby extending the final payment of $4.95 million by two years. The Corporation did not charge interest during these two years because they wanted to proceed with the sale at no additional cost to the purchaser in light of the uncertainties that the Kyoto Accord announcement created in the housing market at that time. The Corporation received the last payment from the purchaser in July 2005.

Lots not put on the market quickly

- The Corporation did not select the highest offer on this land. Corporation staff told us that they selected the second highest offer because the developer had developed Parcels 6 and 7 quickly. Also, staff and the Municipality had concerns about the ability of the highest bidder to successfully develop the lands. The Corporation sold Parcel B expecting the purchaser to put lots on the market quickly. After the sale, the Corporation was not satisfied with the purchaser's performance because lots were not put on the market quickly, and the parcel is still being developed in 2005. The developer told us that the development delay was caused by three factors: the uncertainties that the Kyoto Accord announcement caused, the time it took the Municipality to approve the outline plan, and the time it took the Corporation to transfer title to the land.

Conclusion— the Corporation could not demonstrate that it met its objective for the sale of this parcel and received appropriate value for the land. Management told us that the Corporation's objective for the sale of this parcel was to sell this land in accordance with the Municipality's

phasing plan. Based on the strength of the housing market at the time of the sale, the Corporation expected that the purchaser would put lots on the market quickly and therefore did not include conditions in the agreement to ensure prompt development. The Corporation granted a two-year extension on the closing date due to the developers' uncertainties of the housing market at that time, which delayed development of the land and the transfer of title. It also contributed to the shortfall in developed lots in Fort McMurray today. The Corporation did not charge interest during the two-year extension, even though it had charged interest on the sale of Parcel 2 throughout the agreement.

4.5 Parcels C1 and B1

Sale agreements—on March 26, 2003 and March 23, 2004, the Corporation granted, for $1.00 each, Parcels C1 and B1, approximately 17 acres and 20 acres respectively, to the not-for-profit development corporation established by the Municipality. The sales were not publicly tendered, as the Corporation's objective for these transfers was to create affordable housing. The agreements for purchase and sale included the following conditions:

- if the lands ceased to be used for affordable housing (defined as modest in terms of floor area and amenities, and priced no less than 10% below average market rates in a community or area), the Corporation had the option of repurchasing the lands for $1.00.
- the development corporation must provide a written report to the Minister by June 30 each year for 20 years from the closing date, on the work and activity on the lands transferred, demonstrating that the use of the lands continues to advance affordable housing in the community.

Conclusion—by including conditions in the sales agreements that would ensure their affordable housing objectives would be met, the Corporation was able to demonstrate that it received appropriate value for these transfers of land.

4.6 Parcel C

Sale not publicly tendered

Sale agreement—on August 1, 2004, the Corporation sold Parcel C (104.85 developable acres) to the not-for-profit development corporation established by the Municipality for $3,669,750, or $35,000 per acre. After the sale, 12.80 acres became environmental reserve land; therefore, the purchase price was reduced to $3,221,750 based on 92.05 developable acres. This parcel was not publicly tendered. The Municipality sent a letter to the Minister recommending that the land be transferred to the development corporation.

Financing terms

The terms of the agreement were that land payments would be made to the Corporation on a pro-rata basis for each phase, with each payment due on completion of the servicing of each phase, and before the development corporation started servicing the next phase. The purchase price for each phase was to be secured fully by a mortgage on each parcel (vendor take-back mortgage), which meant that on closing the Corporation would not receive the balance due, but would receive it over time with interest. The annual interest rate was 6%, calculated from 30 days before the payment for each phase was due until the date the payment was made.

We found the following in examining the sales agreement:

Appraisal over 2 years old

- The Corporation relied on an appraisal that was more than two years old in setting the purchase price. The appraisal as of April 22, 2002 was $35,000 per acre. Although the appraisal was outdated, the Corporation told us that price was not the main consideration because of its other objectives for the sale. In setting the price, the Corporation also relied on a January 2004 appraisal value of $34,200 per acre for the nearby Parcel D. However, since the Corporation had sold Parcel B two years prior for $50,000 per acre, it could have likely obtained a higher price.

Inadequate conditions

- The Corporation did not include adequate conditions in the sales agreement to ensure that their objectives would be met. In a June 30, 2004 letter, the Corporation approved this sale with "favourable terms and conditions (including price) so long as the development corporation uses its revenues, including those generated by the sale of lots created out of Parcel C, to provide affordable housing in Fort McMurray." However, the Corporation did not include these as conditions in the agreement for sale. Under the agreement, the development corporation was required to provide the Corporation with financial statements each year. The Corporation told us that by examining the financial statements, it could assess whether

the Corporation's objectives for the sale were being met.

Financing not typical

- The financing arrangement was not typical for this type of sale agreement. Although the 6% interest rate was reasonable, interest was only payable from 30 days before each payment was due until the date the payment was made rather than throughout the term of the agreement.

Conclusion—the Corporation could not demonstrate that it met its objectives and received appropriate value for this sale. The Corporation sold this parcel with favourable terms and conditions (including price) to ensure that the purchaser would carry out the Corporation's objectives of putting lots on the market quickly, creating affordable housing, and creating competition in the Fort McMurray housing market by selling lots to various builders. However, the Corporation did not include adequate conditions in the sales agreement to ensure that its objectives would be met. The Corporation's examination of the development corporation's financial statements would not, by itself, ensure that these objectives would be met. Also, the Corporation relied on an appraisal that was over two years old in setting the price, and did not charge interest throughout the term of the agreement.

4.7 Parcel E

Sale not publicly tendered

Sale agreement—there was no public tendering for this sale. The consortium made a proposal to the Minister to acquire land after the February 20, 2004 meeting held in Fort McMurray. In an April 13, 2004 letter from the Deputy Minister to one of the consortium members, he states that they were interested in pursuing the consortium's proposal to develop this land as quickly as possible. He also states that the Corporation was prepared to sell these lands to enable affordable housing to be provided in the community.

Agreement for sale

The Corporation entered into an agreement for sale dated October 18, 2004 for Parcel E with a consortium of developers for the sale of approximately 366 developable acres. The purchase price was $12.81 million, or $35,000 per acre. The appraised value of this parcel, as at April 30, 2004, was $10 million, or $27,322 per acre. The agreement included a condition that if the number of acres surveyed varied from 366, the purchase price would be adjusted at a rate of $35,000 per acre. After the sale, a survey determined that only 349.4 acres were developable; therefore, the purchase price was reduced to $12.229 million.

Members of the consortium

One member of the consortium of developers that purchased Parcel E also purchased Parcel 2 in 1999. A director of one of the companies in the consortium was also the chair of the Municipality's not-for-profit development corporation at the time that it purchased Parcel C. This director resigned from the development corporation when he became part of the consortium.

A schedule to the agreement describes the entire 1,266 acres in Parcels 3 and 4 before the Corporation subdivided the original 10 parcels. Parcel E was subdivided out of each of these parcels. From our examination of the sale, it is clear that the sale contemplates only the 366 acres in Parcel E.

$15 million in upfront infrastructure costs

Because the consortium would have to spend an estimated $15 million up-front to provide the infrastructure for the entire parcel, they requested that the sale be financed over a number of years. The purchase price was to be paid by a $25,000 first deposit, $250,000 on possession date, and the balance as subdivisions were serviced at $35,000 per acre. The final payment would be no later than December 7, 2010. The annual interest rate was 6%, calculated from 30 days before the payment for each phased parcel was due until the date the payment was made. Title to the land would transfer to the purchaser after the subdivision of each phase.

Conditions in the final agreement

The following conditions appeared in the final agreement for sale:

- the purchaser would provide at least 100 single-family lots by October 1, 2005,
- the purchaser would make available at least 15% of all serviced single-family lots created to local builders and residents,
- if consortium members re-sold, rather than developed the lots, they would only re-sell under the same terms and conditions,
- any change in control of the purchaser, consortium members, or shareholder companies without the prior consent of the Corporation would result in the purchaser being in default of the agreement, and
- the purchaser would fund the infrastructure costs to service the parcel.

We found the following in examining the sales agreement:

Not publicly tendered

- The sale was not publicly tendered. Staff at the Corporation told us this was because the Corporation wanted to get the land on the market quickly and create some affordability in the housing market, and that it accepted the proposal from the consortium because one of the members had demonstrated, based on their sale of Parcel 2 to him, that he could develop lands quickly. The Corporation also told us that having a group of developers purchase the land, rather than just one,

would result in competition in the market, as the members of the group were also competitors in the industry.

No analysis of appraisal

- The Corporation did not analyze whether the appraisal, including the assumptions and the approach used, was appropriate. The appraised value of this parcel, as at April 30, 2004, was $10 million, or $27,322 per acre. The Corporation told us that because it wanted the purchase price to be the same as that on Parcel C, and because a significant time would lapse between the appraisal and the agreement, it increased the price to $35,000 per acre. The purchase price for the land of $12.81 million was based on the same price per acre that Parcel C sold at, which the Corporation acknowledged during the sale of Parcel C was under favourable terms for the creation of affordable housing.

Appraisals used different methodologies

The sales price was higher than the appraised value of the land but significantly lower than the amount the Corporation received for Parcel B in 2002 of $50,000 per acre. Parcel B was appraised at $37,165 per acre in 2002, which was much higher than the appraisal value of Parcel E of $27,322 per acre. This was partly because Parcel B was a 100-acre parcel that was readily serviceable, and Parcel E, in contrast, was a much larger parcel that would have to be developed over time. It would involve numerous structure plans and development phases, the last of which would carry high development risk because it would depend on sustained economic growth beyond 2010. The two appraisals used different methodologies—the appraisal on Parcel B reconciled the direct comparison and the cost of development approaches, while the appraisal on Parcel E only used the direct comparison approach. These differences in approaches may also have accounted for the significant differences in appraisal values.

Inadequate conditions-development of lots

- The Corporation did not include adequate conditions in the sales agreement to ensure that their objectives would be met. Management of the Corporation told us that their objectives for this sale were to get the land on the market quickly and create some affordability in the housing market of Fort McMurray. However, the Corporation included conditions on the timing of only 100 lots out of the approximate 1,800 lots that this parcel was expected to yield. There were also no conditions in the sales agreement for affordable housing. The agreement does not require final payment until 2010, suggesting a six-year development time; however, the Corporation and the consortium members anticipate that the land will be developed more quickly.

Lots to be sold to other builders

In a June 17, 2004 letter, the Deputy Minister suggests that 25% of all single family lots created in this development be made available to local builders and residents through a lot draw format. Some members of the consortium told us that they negotiated a reduction of the Corporation's original requirement for the percentage of the lots to be sold to local builders and residents from 25% to 15% to guarantee a supply of lots for themselves. As well, the reduction to 15% helped members who planned to develop comprehensive neighbourhoods with architectural controls that would not lend themselves easily to external sales. However, one of the members told us that he would likely sell more than the minimum 15% to local builders and residents.

Financing not typical

- The financing arrangement was not typical for this type of sale agreement. Although the interest rate of 6% was reasonable, interest was only payable from 30 days before each payment for serviced subdivisions were due until the date the payment was made rather than throughout the term of the agreement.

Significant time to finalize

- The Corporation took significant time to negotiate and finalize the terms of this agreement, even though one of its objectives for the sale of this parcel was to get land on the market quickly. Many changes to the conditions in the sales agreement resulted from the negotiations between the Corporation and the consortium between April and October 2004.

Agreement signed before the election

- The Minister requested that the sale agreement for Parcel E be signed before his term was complete. The agreement was signed on October 18, 2004, and the caveat was registered with land titles on December 10, 2004. The agreement included a condition that the

purchaser could complete an assessment and feasibility study of the lands and give the Corporation notice that this condition was satisfied on or before December 1, 2004. The possession date was one week later, December 7, 2004.

Conclusion—the Corporation could not demonstrate that it met its objectives and received appropriate value for this sale. The Corporation sold this land outside of the public tendering process. The Corporation offered this parcel under favourable terms and conditions, including price, since the terms and conditions were virtually the same as those offered in Parcel C. We found no evidence that the Corporation, before it set the price, analyzed whether the assumptions or the approach used in the appraisal were appropriate. The Corporation told us that its objectives for this sale were to get the land on the market quickly and create some affordability in the housing market of Fort McMurray; however, the conditions in the sales agreement would not ensure that these objectives would be met, and the time it took to finalize the sale conflicted with one of these objectives. The Corporation also did not charge interest throughout the term of the agreement.

5. Planning for land sales and development in Fort McMurray

Recommendation No. 1

We recommend that Alberta Social Housing Corporation, working with the Ministries of Infrastructure and Transportation and Sustainable Resource Development and the Regional Municipality of Wood Buffalo, establish a long-term plan for selling land in Fort McMurray.

Our audit findings

No plan to guide land sales

The Corporation does not have a plan to guide its land sales in Fort McMurray. The Corporation has sold land in the order set out in the Municipality's Area Structure Plan. However, its objectives, timing, and approach to the sales have varied. Due to the extraordinary circumstances surrounding the Fort McMurray area, there are many factors that the Corporation needs to consider in planning for land sales and development. Below, we summarize our findings in these areas.

Objectives not clearly defined

Objectives—the Corporation's objectives for land sales are not clearly defined or recorded. The Minister and Deputy Minister set the objectives and make the decisions on selling land. We had to rely on interviews of Department staff to understand the various objectives for individual sales. The Corporation's objectives and approach to selling land in Fort McMurray have varied significantly over time and between agreements. It has made sales to dispose of land for the highest price, to create affordable housing, to get lots on the market quickly, to create competition in the market, or a combination of these objectives.

Order of sales consistent with Municipality's plan

Number and size of parcels—the Corporation's land sales in the Timberlea area are consistent with the Municipality's Area Structure Plan and reflect the Municipality's preference for the phasing and development of the area. To be consistent with the Municipality's Area Structure Plan, the Corporation worked with the Municipality to determine the number and size of parcels to subdivide its Timberlea lands into. In both 1998 and 2002, the Corporation reviewed the size of the parcels and made changes to reflect the needs of the Municipality. The parcel size is significant because it affects the number of qualified developers able to purchase the land, as well as the infrastructure and servicing costs. The parcel size may also affect the ability of developers to get developed lots ready for builders and ultimately the time to make housing units available to the public.

Land sales sporadic

Timing of land sales—the timing of land sales has not met the needs of the Municipality. Since 1999, the timing of the Corporation's land sales has been sporadic and no significant parcels were sold in 2001, from September 2002 to July 2004, or November 2004 to September 2005.

Parcel B developed slowly

Also, the Corporation sold Parcel B in 2002, but this parcel was developed more slowly than it expected because the developer was concerned with the downturn in the economy. The Corporation extended the closing of the agreement by two years to deal with this concern and this resulted in fewer developed lots being available on the market than the Corporation planned.

8 months to finalize sale of Parcel E

In early 2004, the Municipality and local homebuilders recognized the immediate need for additional housing and the Corporation met with them on February 20, 2004 to discuss the need. All stakeholders were concerned with the slow development of Parcel B and the rapidly increasing demands for developed lots due to announcements in the oil sector. It took the Corporation until October 2004, almost eight months from the meeting date, to get an agreement to sell Parcel E. These months were spent negotiating the agreement for sale.

Parcel D

In early 2005, the Corporation put Parcel D on the market but later removed it. The Corporation recently published a request for proposal for Parcel D with an October 3, 2005 closing date for offers.

Significant shortfall in lots and homes

The timing of the sales, the slow development of Parcel B, and the delay in releasing Parcel D have created a significant shortfall in the availability of developed lots and homes in the area. The Municipality anticipates that it is more than a year behind in getting developed lots on the market. Any plan will need to deal with this backlog and with future requirements.

Development timeframe—the timing of the sales has not always been early enough in the year to allow for timely development approvals by the Municipality and land development in the current year.

Development occurs before approvals received

Developers have also said that they often begin developing the lands without final approvals from the Municipality because the season is so short. In other cases, developers have waited for the municipal approvals before proceeding and have missed most of the development season. In response to this problem, the Corporation requested that a developer create the outline plan for Parcels D and F so that the land is ready for development when it is sold. This is a good step that will help the successful purchaser develop the land more quickly. Securing approval of

the outline plans by the Municipality before public offer will accelerate development of the land by the successful purchaser and ensure lots are on the market sooner.

Corporation no longer providing infrastructure

Infrastructure and servicing costs—the need for installing infrastructure for primary services such as roads, water mains, sewer trunks, and storm ponds, significantly affects the division and development of lands in Fort McMurray. In the past, the Corporation has built the infrastructure needed for several parcels. However, developers must now bear these significant costs up front before they receive proceeds from selling lots because the Corporation is no longer providing the infrastructure. Also, the Municipality cannot fund the costs of the infrastructure because they can not borrow additional funds according to provincial legislation.

Infrastructure costs significant

The cost of infrastructure is significant. For example, on Parcel E the costs are estimated at $15 million. Because the Corporation would not fund these costs and individual developers would not have sufficient capital to pay these costs up front, the Corporation chose to sell Parcel E to a consortium. The infrastructure requirements of Parcel D, approximately $50 million, and any other land sold in Fort McMurray will also be significant.

Also, for the sales to be cost effective for developers due to the up front costs, the Corporation has had to sell larger parcels than it has in the past. There is also a need to work out the responsibility for building, maintaining and funding infrastructure that overlaps parcels. For example, to complete Parcel E, development of infrastructure in both Parcel B and C had to occur.

7,000 housing units needed

Housing needs of municipality—according to population growth projections, the Municipality will need approximately 7,000 housing units on the market over the next five years. Because housing prices are so high in Fort McMurray, there is also a significant demand for affordable housing requirements in the Municipality that the Corporation will need to factor into the plans.

Lack of coordination

Coordination with other ministries—the Municipality told us that there is a lack of coordination between the Corporation and the provincial ministries that own land in the area. The Ministry of Sustainable Resource Development owns all the Crown land surrounding Fort McMurray and the Ministry of Infrastructure and Transportation also owns some land in the city.

Committee on infrastructure and housing

The government has recently set up a new committee to deal with infrastructure and housing issues in Fort McMurray. This Committee is chaired by the Minister of Energy. Also participating on the Committee are the Ministers of Infrastructure and Transportation, Sustainable Resource Development, Aboriginal Affairs and Northern Development, and Seniors and Community Supports.

860 acres remaining

The Corporation currently holds only approximately 860 developable acres. Because the Corporation will not be able to meet future demand with this land, it will have to work with the Ministries of Sustainable Resource Development and Infrastructure and Transportation to plan for future development. The Corporation is now working with the Ministry of Sustainable Resource Development to obtain additional lands adjacent to Parcels F and North Parsons Creek so it will have sufficient land to sell as a complete parcel.

Impact on home owners

Impact of sales on existing land, lot, and housing prices—current housing prices are very high because of the pent-up demand. Home owners have large mortgages and any significant influx of housing units on the market may affect the equity and financial stability of the homeowners. Lot prices have some impact on the final housing prices but the most significant impacts will be the infrastructure and servicing costs and the number of new lots coming onto the market. The timing of the release of new parcels of land and development of lots may have a significant impact on housing prices. The Corporation's future plans need to acknowledge this impact.

Availability of resources—the availability of resources will be a factor in the ability to carry out the plan. There are a large number of builders in the area that need developed lots to build on and their livelihood depends on available lots. However, there is also a shortage of experienced trade workers in the area.

Implications and risks if recommendation not implemented

City housing requirements may not be met without a long-term plan for selling land in Fort McMurray.

Management's response

Management accepts the recommendation. The Alberta Social Housing Corporation (ASHC) has 860 acres of developable land remaining and intends to sell it in 2005 and 2006. Alberta Seniors and Community Supports participates in the Oil Sands Ministerial Strategy Committee chaired by the Honourable Greg Melchin, Minister of Energy. This committee is addressing the infrastructure needs of the municipality and preparing composite long-term development strategies to support the rapid growth in Fort McMurray. This department will actively support the committee through its strategy of selling the remaining ASHC land holdings in Timberlea and participating as required in the longer term development of Fort McMurray.

6. The Corporation's systems for selling land

Recommendation No. 2

We recommend that Alberta Social Housing Corporation improve its systems for selling land to ensure that its objectives are met.

Criteria: the standards we used for our audit

The Corporation should have systems to ensure that:

1. it sells land in accordance with the *Alberta Housing Act*.
2. the sales meet the Corporation's objectives and the province gets appropriate value for that land.
3. it has a process to review and approve land sale agreements before finalizing sales.
4. land sale agreements clearly outline the terms and conditions of sales.
5. conditions in land sale agreements are met.

Our audit findings

9 sales and 5 grants

We examined all nine of the Corporation's land sales in Fort McMurray, and the five parcels that it granted to the Municipality and its not-for-profit development corporation since 1999. The following section highlights our findings.

6 of 9 sales used public offer process

Land is sold in accordance with the Alberta Housing Act—the Corporation sold land in accordance with the *Alberta Housing Act* (the Act) and the Corporation's bylaws. The Corporation used a public offer process for six of the nine land sales; the remaining parcels were not sold through an open and transparent process. The Act does not preclude the Corporation from selling or granting land under the terms and conditions of these sales.

The Act allows the Corporation to sell land that is surplus to its needs and to do anything necessary to achieve its objectives. The Act does not require the Corporation to publicly offer lands, which is required for surplus lands and public lands sold by other government departments.

Objectives not clearly defined

Sales meet the Corporation's objectives and the province gets appropriate value for that land—the Corporation's objectives for selling land are not clearly defined or recorded. In most cases, we relied on interview evidence to learn the objectives for the individual sales. The Corporation met its objectives and received appropriate value for the grants to the Municipality and the not-for-profit development corporation.

The Corporation met its objectives and received appropriate value for the sale of five parcels of land. However, the Corporation could not demonstrate that it met its objectives and received appropriate value for four of the six significant land sales we examined. We found that:

- In three sales, the Corporation did not include adequate conditions in the sales agreements to ensure that its objectives for each sale would be met.

- In three sales, the Corporation offered financing terms that were not typical; in two cases, the interest was calculated from 30 days before each payment was due until the date the payment was made rather than throughout the term of the agreement, and in the other case, interest was not charged for a two-year extension.

- For one sale, the Corporation did not have a clause in the agreement that protected it from a change in developable acres.

The Corporation obtains a real estate appraisal of each parcel before a sale. However, the appraisals used different methods and assumptions, and we did not see evidence that the Corporation attempted to verify the reasonableness of the assumptions in any of the appraisals. The Corporation relied on an appraisal that was over two years old for one sale.

Minister and Deputy Minister made decisions

Process to review and approve land sale agreements—the Minister, working with the Deputy Minister, made all significant decisions about land sales of the Corporation. They directed their staff how to structure the sales, including the conditions and financing arrangements in the agreements. The Corporation worked with its outside lawyers by directing them to include or exclude certain conditions in the agreements. All land sales agreements were signed and approved by the appropriate individuals.

No independent review and challenge of land sales

However, the Corporation has no process for an independent review and challenge of sale agreements. The Corporation's review process was documented in Board minutes up to 1999; and we saw evidence that sales were challenged and reviewed by others not directly involved in negotiations. After 1999 and the appointment of the new Minister, the Board of Directors did not meet because the Minister did not think the Board was effective. As a result, there was limited documentation on how the Corporation made key decisions on land sales, and no evidence of a formal challenge process. In addition, since there were no preset evaluation and selection criteria, it is difficult to assess whether the process

to review and approve land sales agreements is adequate.

We did not find evidence that the Minister or anyone involved in approving land sales at the Corporation was a director or shareholder of any company that purchased land from the Corporation.

Terms and conditions not sufficient to ensure objectives are met

Sale agreements clearly outline the terms and conditions of sales—all land sale agreements included various legal and financial conditions, which appear to protect the Corporation from financial loss, default or potential liability. Through direction from either the Minister or the Deputy Minister, staff advised the outside lawyers of what terms and conditions to include in sales agreements. However, these terms and conditions were not sufficient in three of the six significant sales to ensure the Corporation's objectives for the sale would be met.

Staff monitors conditions in agreements

Monitoring and enforcing conditions in land sale agreements—the Corporation's staff monitors the conditions in sales agreements and uses outside lawyers to enforce sales agreements, if necessary. The Corporation told us that it informally discusses progress with developers to ensure that development and use of land is consistent with its original intent. We saw evidence that the Corporation maintains a listing of the number of lots developed, and lots still to be developed in the parcels that it has sold. The Minister and the Deputy Minister have visited Fort McMurray to discuss development progress with the Municipality and developers. Because much of the land development in Fort McMurray is recent, the Corporation has not yet had to monitor and enforce conditions in the significant sales agreements.

Implications and risks if recommendation not implemented

If the Corporation does not improve its systems for selling land, it will not meet its objectives for land sales and the province may not get appropriate value for the land sold.

Management's response

Management accepts the recommendation. ASHC is proceeding with the sale of Parcel D through a public Request For Proposal (RFP) process, which clearly identifies the objectives of the sale. A review committee including independent external members will assess how each proposal meets these objectives, with the final selection and land sale to be undertaken with the proponent who best meets the objectives of the RFP. A plan is also in place to dispose of ASHC's remaining land holdings in Fort McMurray. It is anticipated that all remaining ASHC land sales will be completed in 2006.

7. Allegations of interference by the MLA for Fort McMurray–Wood Buffalo in land sales

Examined involvement of MLA in sale of Parcel E

As part of our audit, we investigated whether there was interference by the MLA for Fort McMurray–Wood Buffalo in the sale of Parcel E to the consortium. We made enquiries of the Department staff and other parties that we met. We also examined political contributions to the MLA for Fort McMurray–Wood Buffalo made by individuals and corporations related to members of the consortium.

The Office of the Ethics Commissioner has completed a report to the Speaker of the Legislative Assembly of Alberta of the investigation into allegations involving the MLA for Fort McMurray–Wood Buffalo. We provided our audit results to the Ethics Commissioner and coordinated our work to coincide with his investigation of the involvement of the MLA for Fort McMurray–Wood Buffalo in the Corporation's land sales.

Our findings are as follows:

Meeting in Fort McMurray

- The MLA for Fort McMurray–Wood Buffalo was involved in the February 20, 2004 meeting to discuss the shortage of land in Fort McMurray. During the flight to the meeting, he was involved in a discussion with the Minister about a proposal from the consortium of developers. A memo from the Deputy Minister to the Minister of Seniors and Community Supports states that "The two ministers advised (Corporation staff) that this proposal was the way to develop serviced lots to meet the upcoming demand in Fort McMurray."

Consortium members supported MLA's campaign and the Progressive Conservative Party

- Corporate members of the consortium have supported the campaigns of the MLA for Fort McMurray–Wood Buffalo and the Progressive Conservative Party. Ten individuals and corporations related to one member of the consortium donated approximately $13,200 to the campaigns of the MLA between 1998 and 2004. Another member of the consortium contributed $1,000 to the campaigns between 1998 and 2004. These contributions made up approximately 9% of the total value of the contributions over $375 made to his campaigns during this period. One member of the consortium and a corporation related to another member of the consortium also contributed $25,900 and $1,600, respectively to the Progressive Conservative Party between 1998 and 2004.

Decision to sell Parcel E

- Subsequent to the February 20, 2004 meeting, the Minister and Deputy Minister made the decision to sell Parcel E to the consortium. There is no evidence that the MLA was involved in this decision.

- The Minister and department staff stated that the MLA was not involved in any way in the sale of Parcel E to the consortium.

- We did not find any evidence that the MLA was involved in any negotiations or the final sale agreement for Parcel E.

MLA not involved in decision to sell Parcel E

In our opinion, the MLA for Fort McMurray–Wood Buffalo's involvement in the land sale was limited to representing his constituency. Even though he was involved in discussions regarding the shortage of land in Fort McMurray and members of the consortium supported his campaigns, there is no evidence that the MLA was involved in the negotiations and decisions that led to the sale of Parcel E to the consortium.

The report of the Ethics Commissioner contains additional information and the Commissioner's conclusion on the MLA's involvement in the land sale.

Appendix A—Chronology

The following is a chronology of significant events, including the Corporation's land sales in Fort McMurray since 1998:

1998

Ten parcels

The Corporation discussed with the Municipality the number and size of parcels to be created from their land. At the request of the community, the Corporation created some smaller parcels to give local businesses the opportunity to participate in the future development of these lands. In September 1998, the Corporation subdivided its Timberlea lands in Fort McMurray into 10 parcels (numbered 1–10), based on the Municipality's Area Structure Plan, to be put on the market for sale.

1999

Sold Parcels 1 and 2

April to June 1999—the Corporation advertised a public offering with a closing date of June 14, 1999 to sell all 10 parcels of land in Fort McMurray totalling over 2,200 acres, with approximately 1,400 being developable. Management of the Corporation told us that at this time, it considered all of the land to be surplus to its needs, so its objective for the sale was to offer the land through a public offer process, and accept the highest price. The Corporation received offers on parcels 1, 2, 6, 7 and 8. The Corporation's Board of Directors accepted the offers on Parcels 1 (see page 10), 2 (see page 10), 6 and 7 on June 22, 1999. It rejected the offer on Parcel 8 because it was not comparable with the appraisal and was unreasonably low. The sale of Parcels 6 and 7 did not proceed because the developer had engineering concerns with the Timberlea subdivision.

2000

January 2000—The Minister met with the Municipality to discuss the phasing of the development of the Timberlea subdivision. The Municipality prepared a report called "Proposed Development Phasing of the Timberlea Subdivision in Fort McMurray" for the Minister, dated March 2, 2000.

Sold Parcels 6 and 7

July to October 2000—the Minister approved the public offering of Parcels 6 and 7. They were advertised by public tender with an August 25, 2000 closing date. The Corporation received four offers on Parcels 6 and 7, and rejected all of them because of large variances in the offer prices. The Corporation then invited the developers with the highest offers to submit offers with an October 4, 2000 closing date. The Corporation received two offers on the parcels and accepted one for both Parcels 6 and 7 on October 17, 2000 (see page 12).

2001

July 2001—the Municipality approved the updated Timberlea Area Structure Plan Bylaw #01/120. It provided a policy framework to support the existing development in Timberlea and to ensure the orderly development of those portions of the Area Structure Plan that were undeveloped. The purpose was also to ensure the effective integration of existing and future development.[5]

2002

Subdivided remaining parcels

July 2002—the Corporation reconsidered the sizes and layouts of Parcels 3–5 and 8–10 and subdivided these sites. Parcels B, B1, a commercial site, a portion of another commercial site, the RCMP site, the high school site, and Parcel E site were subdivided out of Parcel 3. Parcels C, C1 and part of a commercial site, the RCMP site, the high school site and Parcel E were subdivided out of Parcel 4. Parcel 5 became Parcel F, and Parcels 8, 9 and 10 became Parcel D.

Sold Parcel B

May to August 2002—the Corporation invited offers to purchase Parcels B and D with a June 26, 2002 closing date and extended the deadline to July 17, 2002. The Corporation received suitable offers on Parcel B but not on Parcel D. The Corporation accepted an offer on Parcel B on August 1, 2002 from the same party that purchased Parcels 6 and 7 (see page 12).

Exchanged Parcel A

September to October 2002—the Corporation obtained Parcel A through a transfer from the Department of Sustainable Resource Development to develop affordable housing. The Corporation exchanged this parcel for 12 townhouse units with an equal value on October 10, 2002.

2003

Granted Parcel C1

March 26, 2003—the Corporation granted Parcel C1 to the not-for-profit development corporation established by the Municipality to be used for affordable housing (see page 14).

2004

Meeting about shortage of land in Fort McMurray

February 20, 2004—the Minister and Deputy Minister responsible for the Corporation, and the MLA for Fort McMurray–Wood Buffalo, traveled to Fort McMurray to meet with the mayor of Fort McMurray, representatives from the local home builders association and developers in the region. They met to discuss the shortage of land in Fort McMurray. The developers estimated that they would need approximately 5,400 developed lots by 2008. The home builders association suggested that builders were losing sub trades to

[5] Timberlea Area Structure Plan, Bylaw #01/120

other communities, and that an infrastructure fund needed to be developed to install primary services such as collector roads, water mains, sewer trunks, and storm ponds.

Consortium of developers discussed

The Minister said that the province would not provide the infrastructure funding of approximately $15 million, and the Municipality said it was unable to provide the funding because of its inability to borrow. The chair of the not-for-profit development corporation offered to act on behalf of local developers to provide a proposal to the Minister. The concept of a consortium of developers to provide the necessary up-front funding for the infrastructure upon purchase of the land was discussed. On the return trip, the Minister gave the Deputy Minister direction to pursue the consortium concept and a land sale.

Granted Parcel B1

March 23, 2004—the Corporation granted Parcel B1 to the Municipality's not-for-profit development corporation to be used for affordable housing (see page 14).

April 2004—a consortium of developers, led by the purchaser of Parcel 2 in 1999, presented a proposal to the Corporation on their plans for Parcel E.

Sold Parcel C

August 1, 2004—the Corporation sold Parcel C to the not-for-profit development corporation established by the Municipality (see page 15).

Sold Parcel E

October 18, 2004—the agreement for sale of Parcel E to the consortium was signed (see page 16).

November 9, 2004—the Corporation signed a Memorandum of Agreement for Services with the not-for-profit development corporation to oversee work on the detailed planning, engineering, surveying, geotechnical, top of bank studies and setback evaluations required for approval of the outline plans for Parcels D and F by the Municipality. The not-for-profit development corporation would also ensure that the outline plans being developed for Parcels D and F represent the needs of the community by coordinating the planning and engineering, on behalf of the Corporation, with the Municipality.

2005

January 2005—the Corporation put Parcel D on the market but the Minister later removed it, stating that "community goals for land development in Fort McMurray cannot be achieved through this invitation of offers."

Request for proposals

July 2005—the Corporation announced that, to help ease housing pressures in Fort McMurray, it would proceed with the sales of its remaining three parcels: D, F, and North Parsons Creek using a request for proposal process. The request for proposals would include conditions to ensure that land would be promptly developed for housing. The Corporation committed to offer for sale Parcel D (371 acres) in the summer of 2005, Parcel F (284 acres) within approximately 90 days of the sale of Parcel D, and North Parsons Creek (204 acres) in the spring of 2006.

August 2005—the Corporation published a request for proposal for Parcel D with an October 3, 2005 closing date. Parcel D is approximately 371 acres, and was appraised at $41,973 per acre in January 2005. In the request for proposal, the Corporation set a price at $50,000 per acre, based on the average raw land and lot price in the province. The Corporation told us that it wanted to establish a fair price for the land, so it reviewed prices in the major cities in Alberta to determine the price. The purchase price is to be paid in full 30 days after signing.

Guidelines for development of Parcel D

The Corporation's request for proposal for Parcel D set out that all servicing, including offsite levies, over sizing and cost sharing, would be the responsibility of the successful purchaser. The Corporation set out guidelines for the development, which it requires all interested purchasers to meet in their proposals. These guidelines require:

- A proposed timeline for the development of the parcel, which contemplates that all lots be developed by December 31, 2008. Phasing of development should contemplate lots becoming available for construction in 2006. The outline plan estimates that the parcel will yield 2,810 housing units.
- Information on how the purchaser intends to involve local stakeholders, including local builders, in developing and selling lots in Parcel D.
- Information on how the purchaser intends to ensure affordable housing for individuals and families who would qualify for housing programs within the mandate of the Corporation.
- Information on how the purchaser will maximize the availability of housing that will be affordable on a longer-term basis in Fort McMurray.

Appendix B—Summary of the Corporation's land sales—1999 to present

Date of sale agreement	Parcel Name, Plan and Lot #	Number of developable acres	Sales price	Appraised value	Lots/housing units developed as at June 2005	Lots/housing units expected to be developed[6]
June 18, 1999	**Parcel 1** - Plan 982 4820, Lot 1	25.35	$988,200, or $39,000/acre	October 23, 1998 - $1,265,000	199 housing units	44 lots
February 15, 2000	**Parcel 2** - Plan 982 4820, Lot 4	158.08 (231.08 total acres)	$1,897,000, or $12,000/acre	October 23, 1998 - $4,745,000	830 housing units and 290 lots	None
October 17, 2000	**Parcels 6 & 7** - Plan 982 4820, Lots 9 & 8	123.38	$3,300,000, or $26,747/acre	May 23, 2000 - (midpoint) $2,800,000	788 housing units and 133 lots	None
August 1, 2002	**Parcel B** - Part of Plan 982 4820, Lot 5 (renamed Plan 032 5124 Block 15 Lot 3)	100.00	$5,000,100, or $50,001/acre	April 22, 2002 - $3,716,551 ($37,165/acre)	133 lots	255 housing units and 348 lots
October 10, 2002	Parcel A - Part of Plan 022 5478, Block 1 Lot 2 (renamed Plan 022 4809, Block 7 Lots 64-75)	44.74	Land exchanged for housing units valued at $1,920,000	April 22, 2002 - $1,788,258 ($39,970/acre)	155 housing units and 214 lots	None
February 20, 2003	Fire hall and emergency response facility - Part of Plan 982 4820, Lots 5& 6 (renamed Plan 032 0719 Block 14 Lot 14)	2.09	$1.00	April 2002 - $272,000	Not applicable	Not applicable
March 26, 2003	**Parcel C1** - Part of Plan 982 4820, Lot 6 (renamed Plan 032 1359 Block 15 Lot 1)	17.12	$1.00	April 22, 2002 - $599,200 ($35,000/acre)	300 housing units	50 housing units
January 26, 2004	Commercial site - Part of Plan 982 4820, Lot 5 (renamed part of 012 4224 Lot 13)	2.20	$260,000, or $118,182/acre	September 30, 2003 - $220,000	Not applicable	Not applicable
March 23, 2004	**Parcel B1** - Part of Plan 982 4820, Lot 5 (renamed Plan 032 5184 Block 15 Lot 2)	19.94	$1.00	April 22, 2002 - $741,070 ($37,165/acre)	None	166 housing units

[6] Number of housing units is estimated based on the developers' outline plan. Where an outline plan has not yet been prepared, an estimate of the number of lots is indicated.

Date of sale agreement	Parcel Name, Plan and Lot #	Number of developable acres	Sales price	Appraised value	Lots/housing units developed as at June 2005	Lots/housing units expected to be developed*
June 29, 2004	RCMP facility site - Parts of Plan 982 4820, Lots 5 & 6 (renamed Plan 042 5408 Block 14 Lot 51)	7.00	$1.00	May 26, 2004 - $1,046,206 ($149,458/acre)	Not applicable	Not applicable
August 1, 2004	**Parcel C** - Part of Plan 982 4820, Lot 6 (renamed Plan 032 5214 Block 16 Lot 5)	104.85 (less 12.80 dedicated as environmental reserve)	$3,669,750, or $35,000/acre. Purchase price was later adjusted to $3,221,750 to reflect 12.80 acre environmental reserve	April 22, 2002 - $3,669,750 ($35,000/acre)	112 lots	230 lots
August 23, 2004	Commercial site - Part of Plan 982 4820, Lots 5 & 6 (renamed 0425408 Block 14 Lot 50)	20.94	$7,550,000, or $360,554/acre	May 26, 2004 - $3,129,650 ($149,458/acre)	Not applicable	Not applicable
October 18, 2004	**Parcel E** - Part of Plan 982 4820, Lots 5 & 6	366.00 (less 16.60 deemed not developable after top-of-bank survey completed)	$12,810,000, or $35,000/acre. Purchase price was later adjusted to $12,229,000 to reflect that 16.60 acres were not developable	April 30, 2004 - $10,000,000 ($27,322/acre)	None	866 housing units and 1,340 lots
November 8, 2004	High school site - Part of Plan 982 4820, Lots 5 & 6 (renamed Plan 052 1288, Block 16 Lot 77MR)	41.58 (40.45 after 1.13 acres were removed for the widening of Paquette Drive)	$1.00	April 22, 2002 - $1,559,250 ($37,500/acre)	Not applicable	Not applicable

* Number of housing units is estimated based on the developers' outline plan. Where an outline plan has not yet been prepared, an estimate of the number of lots is indicated.

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